removed and that the cost of such removal may be recovered from any person according to the judgment of the Magistrate. The amendment introduced in the Assembly is to the effect that no person should be made liable for such costs unless it has been definitely proved that it was he that erected the false survey mark. That idea was perhaps in the minds of the honourable members of this House itself when they passed the Bill. Anyhow the matter has been made clear by the Assembly by introducing appropriate words. I move that these amendments may be taken into consideration.

Mr. M. N. Paramesvaran Pillai: May I know who will bear the cost of removal of the boundary mark when the accused is acquitted?

Mr. Kayalam Paramesvaran Pillai: I believe, Government.

Mr. R. Pitchu Aiyangar: I second it.

The motion was carried.

President: The question before the House is that in clause I, sub-clause (i) the figure "1112" be substituted for the figure "1110" and that in clause II under Section 34 (2), the portion beginning with "but" in line 4 and ending with "survey mark" in line 6 be deleted and the words "where such mark or object has been proved to be erected or placed by the accused" be inserted between the words "and" and "recover" in line 8.

The amendments were put to the House and carried.

THE TRAVANCORE INCOME TAX REGULATION (AMENDMENT) BILL.

Mr. Kayalam Paramesvaran Pillai: I beg to move that the Travancore Income Tax Regulation (Amendment) Bill as passed by the Sri Mulam Assembly be taken into consideration. The main purpose of this Bill is to impose a super tax on higher incomes, roughly speaking, incomes above Rs. 50,000 a year. The provision for that will be found in schedule III of the Bill as passed in the Assembly. Another important object of this Bill is to raise the rate of assessment on incomes above Rs. 15,000. It will be seen from the existing Regulation that the rate of assessment on incomes above Rs. 15,000 is 1 Chackram, up to Rs. 20,000. This is to be raised to 1 ch. 4 c. Again, the rate of assessment on incomes of Rs. 20,000 to 30,000 at present is 1 ch. 8 c.; that is sought to be raised to 1 ch. 12 c. The present rate of assessment on Rs. 30,000 to 40,000 is 1 ch. 12 c.; and that is sought to be raised to 2 chs. Above Rs. 40,000, it is sought be raised to 2 Chackrams in the rupee.

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Mr. M. N. Paramesvaran Pillai: May I know how many assessees there will be under that category?

Mr. Kayalam Paramesvaran Pillai: I have not got that figure.

Mr. K. George: In seconding this motion, I wish to speak a few words. The present Income Tax Regulation of 1096 was passed by the Legislature with a view to tax certain classes of people who were paying no tax. There was a complaint some years ago both in the Legislative Council and in the old Sri Mulam Popular Assembly that the only direct tax in the State was tax on agricultural lands, and that a large number of persons did not pay anything to the State for the amenities and privileges which they enjoyed under a well ordered and progressive administration. It was on that ground that the Income Tax Regulation was introduced in the old Legislative Council and passed in 1096 as Regulation VIII of 1096. This Regulation was once amended. That was the Income Tax Amendment Regulation V of 1100. The important changes that were made by that amending Regulation were first the abolition of what is known as adjustment system. By the Regulation of 1096 the assessment was first made provisionaly on the income for the year. In the succeeding year the provisonal assessment was made final and a new provisional assessment was made on the income of the year. As that system caused a great deal of inconvenience both to the Government and to the assessees it was decided to drop that system and assessment once made was declared to be final; that is to say, if an amount is fixed as assessment for 1112 based on the income of 1111, that will be final. One or two other changes were also made; but they were not of a drastic character. For instance, by the Regulation of 1096, the losses which a businessman incurred under one sort of business were not set off against the profits he made; that is to say, the profits were assessed irrespective of the losses. As that was unjust to the assessees that was amended so that only the net profits which an assessee actually made were assessed. But no change was made in the rate of assessment. These two Regulations, of 1096 and 1100, were based on the Indian Income Tax Acts of 1918 and 1922. A large number of changes have since been introduced in British India. Here also, for the proper working of the Income Tax Regulation certain modifications are found necessary. Hence the present Bill. The objects of the present Amendment Regulation are three-fold. One is to get a better income. For that we have first of all revised the existing Schedule I, and we have also added another Schedule to levy super-tax in the State. Another object is to remedy the defects in procedure and methods for assessment so as to make the work more easy.

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I shall first deal with the important changes that have been made in the provisions relating to procedure. I shall deal only with such of them as seems to me to be of real importance. There is an amendment to Section 3 (1) (*a*). At present, under Section 3, income is assessable only if it arises in Travancore. There are people who receive incomes outside Travancore and who bring them into Travancore. Such incomes escape income tax, because there is a rule that any income received in a foreign country shall not be assessed to income tax. That being so, such incomes escape assessment. Therefore, the words proposed by Section 3 (1) (*a*) are sought to be introduced.

Mr. K. P. Nilakanta Pillai : May I know, if brought in what form outside income will be assessed here ?

Mr. K. George : Suppose there is a Bank which has its branch in Madras. It credits its income in Madras, and subsequently brings it over here. At present, according to the existing provision, because that income was received in Madras it escapes assessment here. By the amendment that is sought to be introduced, when that income is brought to Travancore, it becomes assessable here.

Mr. M. N. Paramesvaran Pillai : May I know whether retired officers who are receiving their pension outside Travancore are assessed or not ?

Mr. K. George : Yes, if their pension is assessable.

There is an important change made in Section 8. Section 8 (3) says :—

> "In computing the profits or gains of a business which has its headquarters in Travancore has branches also elsewhere, or which is carried on partly in Travancre and partly outside, a deduction shall be allowed of the amount of the profits or gains appearing to the assessing officer to be due to the transactions carried on outside Travancore."

This provision has been taken away. The effect is this. An assessee may have his head office at Alleppey, and a branch office at Cochin. At present we assess only that share of the business for which the head office is responsible, since the branch is outside Travancore. By the deletion of this clause, what we propose to do is to bring the whole income of the institution under assessment ; whether the income arises out of transactions in Travancore or out of transactions in Cochin. This Section does not exist in British India and Cochin. In a business conducted partly in Cochin and partly in Alleppey the Cochin Government taxes the whole income. It is true that this will result in double assessment of the incomes of businesses carried on in two States. This will be remedied by rules providing for affording relief from double income tax.

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[Mr. K. George]

In the present Section 14 (2); the words 'total' income have been substituted for 'taxable income.' Under the existing law, if a man's income exceed Rs. 2,000 but is less than that sum on account of certain deductions he is not liable to income tax. Suppose a man's income is Rs. 2,100 of which Rs. 200 is by way of interest from Government securities which is not liable to income tax the man escapes assessment altogether because his taxable income is less than 2,000 although his total income is Rs. 2,100. After the amendment if a man's total income is above Rs. 2,000 income tax will be assessed on the taxable portion of his total income although such a portion, by itself, may be less than the assessible minimum. The amendment is in accordance with the provisions contained in the British Indian enactment.

An important addition is made in Section 15 A (2). This is with regard to incomes derived by individuals by way of interest from banks, companies, firms, etc. Now the assessing authorities have no means of getting information about incomes which certain persons receive as interest from banks and other institutions which receive deposits on interest. By this clause the duty is laid upon the banks or the firms concerned to intimate the assessing authorities the amount of interest that they pay to constituents. That is a very necessary provision which has been taken from the British Indian enactment. It is found from experience that such a provision is very necessary here to prevent evasion of tax.

Section 19 A (a) deals with the assesment of incomes derived by Cinema shows, itinerant circus shows, etc. The proprietors of such concerns make a lot of money from our country but they escape payment of the income tax. Now provision is made to bring such incomes also under assessment.

Another important change that is made is in Section 18 (4). There are cases at present where the assessee does not submit his return of income or his accounts or furnish any other particular when called upon by the assessing officer. In that case the assessing officer makes assessment on the best judgment basis. Even though this is resorted to solely on account of the party's fault, still he has also a right of appeal on the assessment. No such concession is given in the British Act. Now, by the proposed amendment it is proposed to take away that concession here also. It may be asked whether it will not put the assessee to trouble. Under Section 19 (c) the party who has a complaint can go to the Collector and ask him to reopen the assessment. If he refuses, there is an appeal on that, so that there can be really no hardship.

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Coming to Section 23 an important amendment is made for the benefit of the assessee. At present the chief revenue authority has no power to interfere in certain cases where relief is necessary. According to Section 23 the chief revenue authority can iterfere only in cases in which an assessment proceeding has been taken by a subordinate officer. There are certain matters which do not relate to the assessment proceedings ; for instance, relief from double income tax. Suppose a party complaints that he has been unjustly taxed and a refund due to him has been denied. Under the present Section the chief revenue authority has no power to interfere as an application for refund is not an assessment proceeding. There are some cases where applications for registration are denied by the Income Tax Collector. The e is no means of revising the collector's decision, or take the case of a person who is declared by the Collector as the agent of a non-resident assessee under Section 33, but who denies his obligation, at present the decision of the Collector in such matters is final. It is necessary that power is vested with the chief revenue authority to interfere in such matters.

Section 25 relates to the bringing into assessment those who escape assessment. Under the existing Section, all assessment proceedings to tax an income which escaped assessment in one year have to be completed before the close of the succeeding year and as this is often not practicable much loss is thereby caused. I will give an example. Suppose a certain income escaped assessment last year. The present Section says that the assessment proceedings should be completed before the close of the current year. Now, it is not necessary that the assessment proceedings should be completed before the close of the year ; it is enough if notice is given this year that the escaped income will be assessed and if this is done the proceedings can be completed in the next year.

There are certain amendments to Section 50 in regard to references to the High Court. These changes are made in the interests of the assessees. For instance the extent of time given for preferring appeals has been made sixty days instead of thirty days. Now, as I said at the outset, of all the changes made the most important are the revision of the rates of assessment in Schedule I and the introduction of super-tax by Schedule III. The learned Law Member has already explained these changes. Up to an income of Rs. 15,000 the present rate of tax will continue.

Mr. M. N. Parameswaran Pillai: May I know why this assessable minimum was not reduced to Rs. 1,000 in spite of representations to that effect?

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Mr. K. George: That point was considered very carefully. I may mention that in British India the minimum was first Rs. 1000. Later it was raised to Rs. 2000. A few years ago it was again reduced to Rs. 1000. Now, again it has been raised to Rs. 2000. In Mysore the minimum is Rs. 2,400; in Cochin it is Rs. 2000. The principle in all direct taxation is that the tax that you get must be commensurate with the inconvenience and trouble that the people are put to.

Mr. M N. Paramesvaran Pillai: Are not the Government collecting land tax quite against that principle ?

Mr. K. George: That is done on a different principle altogether So it was decided that it was not worth while to bring the limit down to Rs. 1000. The rates of assessment on income above Rs. 5000 are the present rates plus four cash in the rupee; ie., between 15 and 40 thousand rupees. Between Rs. 40,000 and 50,000, the rate is the present rate plus 8 cash. Between Rs. 50,000 and Rs. 1,00,000 it is the present rate plus 12 cash. Above one lakh it is the present rate plus 1 chackram. It must be noted that we have raised the maximum rate of taxation from 2 chackrams to 3 chackrams. Another noteworthy feature is that in the case of companies, the maximum rate of 3 chackrams per rupee is applied to all incomes At present, companies which earn less than Rs. 2,000 are not liable to assessment. In future, whatever be the income of a company, even if it is less than Rs. 2,000 it will be assessed at the maximum rate of three chuckrams. That is an important change. When I say companies, I also include registered firms.

Mr. M. N. Paramesvaran Pillai: May I know the probable number of assessees that Government expect under each of these classifications ?

Mr. K. George: I can only give some rough idea. I can only give the number of individuals who are brought under assessment, and the number of companies; but it is not possible to give the amounts. On an average, the number of individuals is 2100, It was more in some years; in 1105 it was 2,264.,

Mr. M. N. Paramesvaran Pillai: May I know the probable assessment under classifications 5 to 10 ?

Mr. K. George: I have not been able to make that sort of calculation.

Mr. M. N. Paramesvaran Pillai: May I know the number of assessees under classification No. 5 ?

Mr. K. George: That information is not available.

Mr. M. N. Paramesvaran Pillai: Then how can we now that, by this change, Government are going to gain ?

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Mr. K. George : I have made a rough calculation of what the Government are likely to get.

The house adjourned for lunch at 1-2 P. M. and reassembled at 2 P. M.

MEMBER SWORN.

Mr. M. Govinda Pillai B. A., Registrar of Co-operative Societies, took the oath and signed the rolls.

THE TRAVANCORE INCOME TAX REGULATION (AMENDMENT) BILL (*contd.*)

Mr. K. George: Sir, before the House rose for lunch, I was referring to the provision made for the levy of super-tax. The question of levying super-tax was under the consideration of Government for some time, and Government have taken this opportunity for amending the Regulation to introduce the principle of super-tax also. Levy of super-tax is made in British India; also in Mysore. So, the principle is not a new one. Here the rates adopted are as follows:—On companies no super-tax is levied up to Rs. 50,000 and above Rs. 50,000 a flat rate of one chackram in the rupee is levied. In the case of individuals and partnerships, for the first Rs. 30,000 no super-tax will be levied. But over Rs. 30,000 for every rupee of the first twenty thousand, 12 cash will be levied per rupee and for every rupee of the next fifty thousand one chackram and four cash. A different rate is laid down for Hindu undivided, families and unregistered firms and the rate, except in the case of companies, progresses until it reaches the maximum of chackrams 6 and cash 4 in the rupee. I may inform the House that the prospect of getting super-tax from individuals and unregistered firms is negligible. Our return from super-tax will be mainly from companies and from a few individuals who get high incomes. I have made some calculations about the possible return to Government by this amending Regulation. By the revision of schedule I, we expect an income of Rs. 1,40,000. We expect a return of Rs. 14,090 from individuals, about Rs. 1,24,000 from companies and about Rs. 2,000 from unregistered firms, on the whole making a total of about Rs. 1,40,000. By levying super-tax at the rates I have specified above, we are likely to get about Rs. 50,000, so that the amending Regulation would bring an extra income of about Rs. 2,00,000 per year. I think it is a substantial amount which comes to the State, from persons who are able to pay. For these reasons, I commend this Amendment Bill for the acceptance of the House.

President : There are no amendments moved, and therefore with the leave of the House, I propose to place before the House clauses 1 to 34,

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